State of California
AIR RESOURCES BOARD

STAFF REPORT: INITIAL STATEMENT OF REASONS

PUBLIC HEARING TO CONSIDER PROPOSED AMENDMENTS TO THE REGULATION FOR THE CERTIFICATION OF VAPOR RECOVERY SYSTEMS FOR CARGO TANKS

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EXECUTIVE SUMMARY

On April 18, 1977, the Board first approved performance standards for controlling emissions from cargo tanks used to transfer gasoline from loading terminals and bulk plants to gasoline dispensing facilities (GDFs), along with requirements for certification of compliance with the standards. Control of gasoline vapors emitted from cargo tanks is necessary to reduce hydrocarbon and toxic air contaminant (TAC) emissions. The California Air Resources Board (CARB or Board) took over the implementation of the certification program from the California Highway Patrol in 1996.[1] Since 1996, CARB has charged an annual $20.00 certification fee for the regulation of each cargo tank. CARB has amended the cargo tank requirements several times since 1977 with the last amendment occurring in 2013. Each amendment clarified the requirements and improved the process for CARB certification of equipment used on cargo tanks for the control of gasoline vapors.

Staff is now proposing additional regulatory amendments that are not anticipated to create emission or environmental impacts, but ensure the emission reductions intended by the existing regulation are maintained and enable CARB to:

1. Address deficiencies in fee language and evaluate and recover Program costs as necessary and appropriate.
2. Add language, including a formula-based methodology to evaluate Program costs and revise the certification fee as necessary.
3. Add language consistent with other CARB regulations to allow for necessary fee adjustments by the Executive Officer.
4. Add language to require the Executive Officer to hold a public meeting prior to establishing or revising the certification fee.
5. Add language specifying how the cost of replacement decals will be calculated relative to the certification fee.
6. Add language specifying how Program fee refunds will be handled.
7. Remove unnecessary and duplicative certification fee provisions from Certification Procedure 204 (CP-204).

[1] CARB, 1995. Initial Statement of Reasons for a Proposed Statewide Regulation to Amend Certification and Test Procedures for Vapor Recovery Systems, May 12, 1995. https://www.arb.ca.gov/regact/gvrs95/gvrsisor.pdf.

Recommendation: Staff recommends that the Board adopt the proposed amendments to the Regulation for the Certification of Vapor Recovery Systems for Cargo Tanks (included in Appendix A of this document). There are no anticipated emissions or environmental impacts associated with the proposed amendments. By taking this action, the Board would:

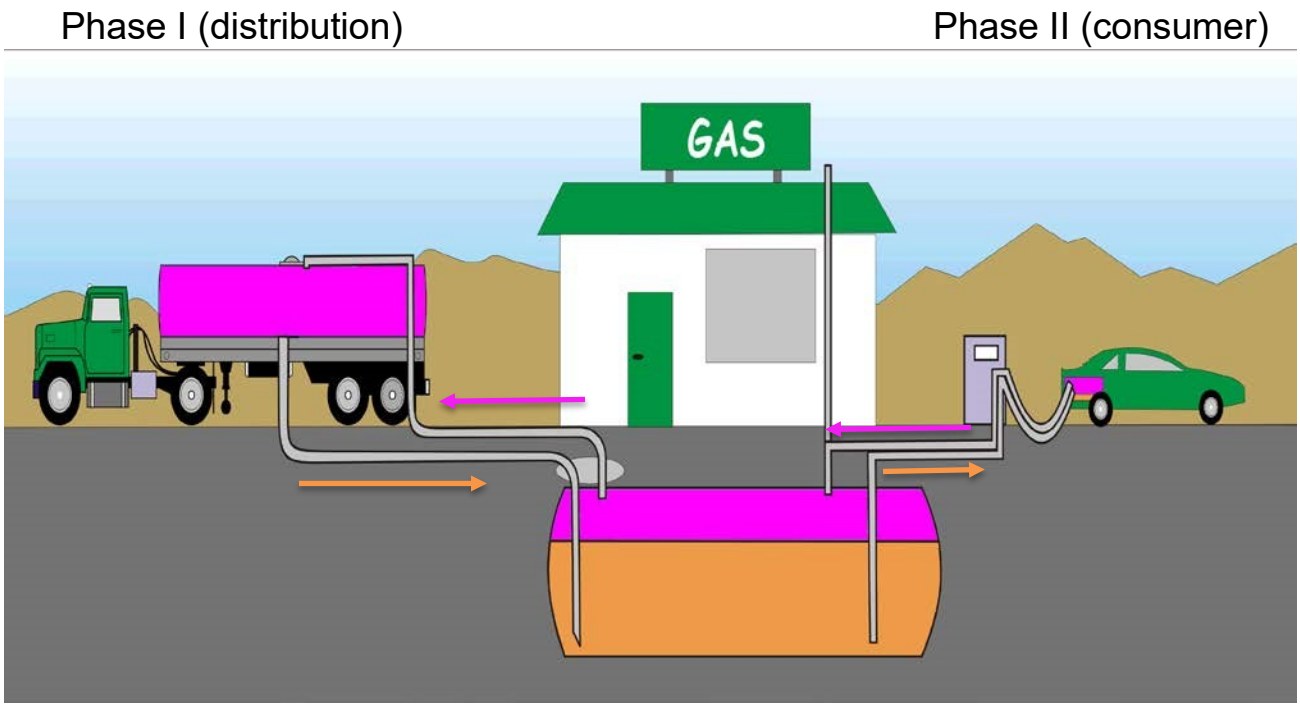
1. Establish a regulatory mechanism that would allow for future fee adjustments, as needed, that would recover the estimated Program costs.
2. Establish a transparent, formula-based regulatory process for CARB's Executive Officer to adjust Program fees as necessary to recover costs.
3. Remove unnecessary and duplicative fee language from CP-204.

I. INTRODUCTION AND BACKGROUND

A) Vapor Recovery Program Overview

In California, gasoline vapor emissions are controlled during the transfer of gasoline from storage tanks at terminals or bulk plants to tanker trucks (called cargo tanks) that transport gasoline to dispensing facilities (GDFs or service stations). Cargo tanks are tested annually to ensure that they do not exceed the allowable leak rate. At GDFs, there are two types of gasoline transfers. Phase I vapor recovery collects vapors during bulk fuel distribution (when the tanker truck is filling the service station storage tank) and vehicle refueling by the consumer. The gasoline vapor displaced as the result of filling these storage tanks is transferred to the tanker trucks. The gasoline vapor inside the tanker truck is recovered at the terminal when a new load of gasoline fills the tanker. Phase II vapor recovery collects vapors during vehicle refueling by the consumer. The vapor recovery collection efficiency during both of these transfers is determined through certification of vapor recovery systems. In-station diagnostics (ISD) provides real-time monitoring of critical vapor recovery system components and alerts the station operator/owner of any vapor recovery system failures so that corrective action can be taken.

Figure I-1
Phase I and Phase II Vapor Recovery Systems at Service Stations



CARB has adopted regulations establishing procedures for certifying vapor recovery equipment installed on cargo tanks and procedures for testing and certifying the equipment annually.[2] Independent contractors typically test cargo tanks. They then submit test results to CARB for review. CARB issues each cargo tank that passes the annual required testing a non-transferable and non-removable decal, which the cargo tank operator places on the cargo tank in a location that can be readily seen. CARB regulations prohibit storage tank operators at terminals or bulk plants from transferring gasoline to cargo tanks with invalid or expired decals. Health and Safety Code statutes, included in Appendix C of this document, prohibit air districts from adopting cargo tank performance standards more stringent than those adopted by CARB, but allow air districts to inspect and test cargo tanks to verify compliance with CARB requirements.

The cargo tank vapor recovery certification requirements apply to gasoline marketers who purchase this equipment, gasoline delivery businesses, cargo tank owners/operators, and cargo tank testers.

[2] Cal. Code of Regs., title 17, section 95014.

B) Cargo Tanks Vapor Recovery Rulemaking History

On April 18, 1977, CARB adopted cargo tank vapor recovery certification regulations. These regulations established a five-minute static pressure test with a maximum allowable leak rate to prevent excessive gasoline vapor emissions during the transfer of gasoline from the bulk plant or terminal to the cargo tank, the transport of gasoline by the cargo tank, and the transfer of gasoline from the cargo tank to the GDF. This test requires an empty cargo tank. The regulations also required one-time certification of cargo tank vapor recovery equipment and annual certification of each cargo tank, which expired on June 30 of each year. The regulations required certified equipment to be compatible with vapor recovery systems installed at bulk plants, terminals, and GDFs. They also required owners or operators of cargo tanks to submit the result of the five-minute static pressure test and other information each year in order for the State Fire Marshall (acting on behalf of CARB) to issue a certification.

On February 24, 1984, CARB adopted changes to the cargo tank certification program that allowed an annual rolling expiration date (12 months after the certification date) rather than a fixed date of June 30 for each year. The changes also required a decal from the California Highway Patrol rather than from the State Fire Marshal, as well as requiring annual testing to be conducted 60 days prior to expiration rather than six months prior to expiration.

On June 28, 1995,[3] the Board approved three major changes to the Cargo Tank Vapor Recovery Program (CTVRP). First, the amendments prohibited the release of gasoline vapors into the air when cargo tanks are filled with gasoline or when preparing cargo tanks for annual testing. Second, the amendments reduced the maximum allowable pressure change for the annual static pressure test (five-minute test) by 50 percent. The amendments required cargo tanks to comply with new pressure change requirements (however, cargo tank operators voluntarily tested to this standard ten years prior to this change in pressure change requirements). Third, the Board added a new cargo tank test procedure (one-minute test). The one-minute test allowed CARB and districts to conduct compliance testing without needing to empty the cargo tanks.

[3] CARB, 1995. Initial Statement of Reasons for a Proposed Statewide Regulation to Amend Certification and Test Procedures for Vapor Recovery Systems, May 12, 1995. https://www.arb.ca.gov/regact/gvrs95/gvrsisor.pdf.

On August 27, 1998,[4] the Board approved amendments that provided an exemption for cargo tanks used to refuel aircraft, since these cargo tanks do not drive on public roads and do not load at bulk plants or terminals with vapor recovery systems in place.

On July 25, 2013,[5] the Board approved three amendments to the CTVRP. First, the amendments removed the requirement for CARB to certify newly-manufactured cargo tank vapor recovery equipment, in order to focus efforts on enforcement. Second, the Board amended Test Procedure (TP)-204.1 to allow for the use of United States Environmental Protection Agency (U.S. EPA) Method 27, with minor amendments, as an equivalent test procedure. Third, the Board changed the language in TP 204.2 and TP 204.3 to provide consistency with other CARB test procedures.

C) Legal Authority

1) State Law

Section 41962 of the Health and Safety Code requires CARB to adopt procedures and performance standards for cargo tanks that are used to transport gasoline. The law requires that the standards be reasonable and necessary to maintain applicable ambient air quality standards. The law also requires CARB to establish requirements that each cargo tank be tested and certified annually to ensure that the vapor recovery system is operating properly.

To comply with State law, the Board adopted the certification and test procedures for cargo tanks found in the Code of Regulations (CCR), title 17, section 94014 (17 CCR § 94014). The regulation incorporates by reference procedures for certifying vapor recovery systems and test procedures for verifying compliance with performance standards and specifications. These certification and test procedures serve to control gasoline vapor emissions from gasoline marketing operations, including fuel transport.

Health and Safety Code section 41962(f) requires CARB to charge a reasonable fee for certification, not to exceed its estimated costs of the Program. The statute makes payment of the fee a condition of certification and requires transfer to the Air Pollution Control Fund (APCF) the amount of those fees necessary to reimburse the state board for the costs of administering the certification program. Health and Safety Code section 41962(i) grants authority to the Board to certify cargo tank vapor recovery systems and charge fees. It also gives the Board the primary responsibility to assure that vapor recovery systems on cargo tanks operate in compliance with its adopted standards and procedures.

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[4] CARB, 1998. Staff Report: Initial Statement of Reasons for Proposed Rulemaking – Public Hearing to Consider the Amendment and Adoption of Certification and Test Procedures for Vapor Recovery Systems, April 3, 1998. https://www.arb.ca.gov/regact/vapor/isor.pdf.

[5] CARB, 2013. Staff Report: Initial Statement of Reasons for Rulemaking. Amendments to Certification and Test Procedures for Vapor Recovery Systems at Gasoline Dispensing Facilities (GDFs) and Cargo Tanks, June 5, 2013. https://www.arb.ca.gov/regact/2013/cargo2013/cargo13isor.pdf.

2) Federal Requirements

For cargo tanks, federal standards comparable to California's CTVRP standards can be found in the Code of Federal Regulations, Title 40, Part 63, Subpart R - National Emission Standards for Gasoline Distribution Facilities (Bulk Gasoline Terminals and Pipeline Breakout Stations).[6] Because of the severe and unique air pollution problems facing California, CARB's gasoline vapor control standards are more stringent than comparable federal standards.

D) Applicability of Proposed Regulations

The proposed regulations consist of amendments to language related to the certification fee in the CCR, title 17, section 94014 and the certification procedure, incorporated by reference, applicable to vapor recovery equipment used at gasoline dispensing facilities and cargo tanks in the State of California. In general, California's gasoline vapor recovery program affects gas station owners, vapor recovery equipment manufacturers, installers, testers, maintenance contractors, air districts, cargo tank owners/operators, and stakeholders generally concerned with air quality and its impact on public health. As CARB staff were developing these proposed amendments, cargo tank owners and testers provided input and feedback during public workshops and meetings. The proposed amendments consist of the following items:

1. Addition of fee language that would allow CARB to recover CTVRP costs.
2. Addition of fee calculation language, including a formula with defined variables that comprise the Program's cost, which subsequently would be used to calculate a certification fee that would recover the determined Program costs. The variables include: California consumer price index (CA CPI), costs directly attributed to the certification program (*i.e.*, personnel, operating costs.), and a percentage of the indirect Board and statewide costs as agreed upon by Department of Finance and the U.S. Environmental Protection Agency (under Code of Federal Regulations, Title 2, Part 200).[7]

[6] Title 40 CFR Part 63, Subpart R, July 1, 2010. https://www.govinfo.gov/app/details/CFR-2010-title40-vol9/CFR-2010-title40-vol9-part63-subpartR

[7] Title 2 CFR Subtitle A, Chapter II, Part 200, January 1, 2014. https://www.govinfo.gov/bulkdata/CFR/2018/title-2/CFR-2018-title2-vol1.xml

E) State Implementation Plan

The federal Clean Air Act requires all areas in California that are designated as non-attainment for the National Ambient Air Quality Standards (NAAQS) to prepare a State Implementation Plan (SIP) containing strategies to improve air quality and achieve the NAAQS. There are no anticipated emissions increases or reductions associated with the proposed regulations, so there is no anticipated impact on the SIP.

F) Climate Change Considerations

There are no anticipated emissions increases or reductions associated with the proposed regulations, so there is no anticipated impact on climate change.

II. THE PROBLEM THAT THE PROPOSAL ADDRESSES

The primary goal of the proposed amendments is to establish language that would allow CARB to evaluate CTVRP costs and subsequently revise the certification fee as necessary to recover program costs. Health and Safety Code section 41962 requires collection of "a reasonable fee, not to exceed [CARB's] estimated costs," that will "reimburse the state board for the cost of administering the certification program," as a condition of certification. To meet the statutory requirement to reimburse the Board, the assessed fee must recover the cost of the resources necessary for efficient and effective implementation of the Program. However, CARB has not adjusted the certification fee since it assumed implementation of the regulation in 1996, and CARB is currently not collecting sufficient fees to recover the cost of administering the CTVRP. Currently, there is no regulatory mechanism to adjust the certification fee to recover costs. If adopted, the proposed amendments would provide a method to assess Program costs and make necessary fee adjustments to adequately fund the CTVRP and meet statutory requirements.

The proposed amendments establish a regulatory methodology that provides for a transparent and consistent process that CARB would use to assess CTVRP costs and adjust certification fees going forward. The most important issue that the proposed amendments address is the Program's deficit of funding and resources and current inability to recover necessary program expenses. The current, decades-old annual certification fee of $20 brings in approximately $120,000 per year, but Program expenses for fiscal year 2018-2019 are approximately $433,000. Further, as discussed in Appendix F of this document, the apparent current compliance rate is 81 percent. Staff estimate that comprehensive, efficient, and effective implementation of the Program would necessitate expenditure of approximately $1,172,000 (based on fiscal year 2018-2019 expenses), or an estimated additional $1,052,000 beyond current fee proceeds and $739,000 beyond current expenditures. Comprehensive funding and implementation of the Program ensures that the intended emission reductions of the existing regulation are achieved.

III. THE SPECIFIC PURPOSE OF AMENDMENT

The purpose of the amendments is to establish language in the California Code of Regulations (title 17, section 94014) that would allow CARB to evaluate CTVRP costs and subsequently adjust the certification fee as necessary to recover Program costs. The current certification fee language is in the CP-204, incorporated by reference in the Regulation. The existing language outlines the Executive Officer's authority to charge a fee not to exceed the estimated cost of certification to cover the cost of certifying cargo tanks. The existing language does not set the fee or include a mechanism to meet the requirement of Health and Safety Code section 41962(f) to reimburse the Program for administration of the certification program. The proposed language provides a regulatory mechanism to meet the statutory requirement of the Health and Safety Code, by establishing a formula that contains defined variables to calculate all the costs that go into the implementation of the CTVRP, along with a method to determine the annual certification fee for each regulated cargo tank.

The proposed amendments include the addition of regulatory language that would establish a methodology for updating the certification fee via a formula that would allow adjustments to the fee, as necessary, to recover the actual cost of implementing the Program. The proposed amendments would delegate to the Executive Officer the authority to adjust the certification fee, utilizing a specific formula, without additional Board action. Adoption of the proposed amendments would establish a streamlined fee adjustment process allowing CARB to recover the costs of the Program as they change over time. The formula would calculate and adjust the fees based on the certification program's expenses, as described below:

1. CA CPI forecast. This is a standard index published annually by the California Department of Finance.[8] The CA CPI is a measure of the weighted average of price changes. As a metric, it identifies periods of inflation or deflation.
2. Direct Costs. Direct costs include salary and wages plus benefits for direct labor costs associated with this program. In addition, direct costs may also include the cost of travel, program supplies, and enforcement related equipment that directly benefit this program.
3. Indirect Costs. Indirect costs are expenditures that indirectly support a program. These costs include general administration (e.g., the Executive Office, Chair's Office, Office of Information Technology, and Administrative Services Division), Program administration (e.g., Division Management and Administrative Support Liaisons), operating costs (e.g. general expenses, postage printing), and statewide costs that support the control agencies for California (e.g., the State Controller, Department of Finance). These expenditures are calculated as a percentage based on direct personnel service costs for the program.

[8] State of California Department of Finance, Economic Research Unit. Economic Forecasts, U.S. and California, Consumer Price Index Forecast – Annual & Monthly, November 2018. http://www.dof.ca.gov/Forecasting/Economics/Eco_Forecasts_Us_Ca/index.html.

These three categories comprise the "Program's Costs" to run the certification program and are therefore used to calculate the necessary fees. As costs change, the fees may be adjusted to ensure that the costs to implement the Program are recovered.

The proposed amendments are not anticipated to cause any environmental impacts. The proposed amendments would establish a method of assessing the Program costs and adjusting the annual certification fee to recover the determined Program costs. As such, there is no immediate cost associated with establishing a methodology to assess the fee. Staff has preliminarily estimated that a potential future fee adjustment, following adoption of the proposed amendments, would have an economic impact of approximately $1.1 million dollars for fiscal year 2019-2020 across an industry of approximately 6,000 cargo tanks. The economic impact was estimated using a high-end assumption of future program costs.

Section 94014. Certification of Vapor Recovery Systems for Cargo Tanks.

The purpose of this amendment is to establish regulatory language with a formula that will allow for a consistent and transparent way to calculate Program costs, establish a certification fee that would recover the determined cost, and update the calculated certification fee as necessary. The resulting funding would ensure that CARB has the necessary resources to administer and monitor compliance of cargo tank vapor recovery systems through improved administrative actions and the implementation of the field activities necessary to ensure high compliance rates. The proposed fee formula includes the following economic variables: the CA CPI as published by the Department of Finance,[9] direct costs that are attributable directly to the statewide certification program, and a percentage of the indirect Board and statewide costs as agreed to by the Department of Finance and the U.S. Environmental Protection Agency, under Title 2, Code of Federal Regulations, part 200.[10] The first two provisions would give the Executive Officer the ability to make a fee adjustment without Board action and also require that a public meeting is held prior to establishing or revising a certification fee.

Additionally, the proposed amendments would add two provisions to reduce unreimbursed program expenses: specifying the fee for a replacement decal, expressed as a percentage of the annual certification fee, and specifying the information required to request a fee refund, which places the burden of justifying a refund request on the requester. The first provision would ensure CARB's ability to recover the operational and administrative costs of replacing lost or damaged decals, including the cost of the physical decal, time to reassign the decal number to the certification information, and time and resources to mail the replacement decal. Establishing a replacement fee ensures that the cost to administer and issue a new decal is recovered. Additionally, a requirement that refund requesters provide justification for refund requests would help the Program to ensure that refunds are justified, as the consideration of refund requests

[9] State of California Department of Finance, Economic Research Unit. Economic Forecasts, U.S. and California, Consumer Price Index Forecast – Annual & Monthly, November 2018. http://www.dof.ca.gov/Forecasting/Economics/Eco_Forecasts_Us_Ca/index.html.
[10] Title 2 CFR Subtitle A, Chapter II, Part 200, January 1, 2014. https://www.govinfo.gov/bulkdata/CFR/2018/title-2/CFR-2018-title2-vol1.xml.

and processing of refunds impacts CTVRP and Administrative Services Division (ASD) resources.

IV. THE RATIONALE FOR CARB'S DETERMINATION THAT EACH AMENDMENT IS REASONABLY NECESSARY

Section 41962(f) of the Health and Safety Code requires the Board to charge a reasonable fee for certification, not to exceed the Program's estimated cost, and that the fee reimburses the Board for the costs of administering the certification program. As such, adding a mechanism for CARB to update the certification fee, as necessary to recover changed program costs, will allow the Program to fulfill the requirements outlined in Health and Safety Code section 41962(f). Additionally, section 41962(i) of the Health and Safety Code requires the Board to ensure that cargo tanks are operated in compliance with performance standards and procedures. The cost of the resources necessary to continually fulfill this mandate would be recovered through the certification fee that would be determined via the formula included in the proposed amendments. Adding a fee calculation formula to CCR, title 17, section 94014, would enable CARB to meet statutory requirements by establishing an adjustable certification fee so the Program becomes and remains revenue neutral.

By incorporating a formula to calculate fees, the proposed amendments would also simplify and streamline the process of adjusting the fee to reflect cost changes. Adding regulatory language that authorizes CARB's Executive Officer to adjust the certification fee via the proposed formula would largely automate the fee update process, reducing the burden on the CTVRP and other CARB resources. Because regulated industry pays program costs via the fee, this streamlining would ultimately lead to a less costly certification fee.

Section 94014. Certification of Vapor Recovery Systems for Cargo Tanks

a.) Section (a) states that the Executive Officer shall assess and collect reasonable fees to recover the estimated cost of the program. This section establishes that the fees must be payable to the California Air Resources Board. The proposed language reiterates much of the fee language in the authorizing provisions of the Health and Safety Code. This section is reasonably necessary to establish the authority of the Executive Officer to assess and collect a fee. The language also establishes a requirement that the fee payments shall be collected by CARB, which is reasonably necessary to clarify the entity that would collect the fee.

b.) The first part of section (b) gives the Executive Officer the authority to establish and periodically revise the certification fee as necessary. This language is reasonably necessary as it establishes that the certification fee revisions are to only take place as necessary.

The second part of section (b) requires the Executive Officer to hold a public meeting prior to establishing or revising a certification fee using the proposed formula. This requirement is included in response to stakeholder requests during development of the proposed amendments. The requirement is reasonably

necessary to establish a consistent process that allows for transparency of future fee adjustments while providing stakeholders an opportunity to comment on any future fee adjustments.

The third part of section (b) states that established or revised fees will take effect on January 1 of the calendar year that follows the fee adjustment. The inclusion of this language is reasonably necessary as it will provide consistency in when the adjustments take effect and transparency so fee payers can appropriately plan for future fee adjustments.

The fourth part of section (b) explains that the fee adjustments would take place in accordance with various economic variables including the CA CPI, direct cost of the Program, and the indirect cost of the Program. The language points to specific documents that are used to determine the values of the economic variables discussed in this section. This language is reasonably necessary as it provides background information on how the formula, in the following section, incorporates the use of economic variables to determine the actual Program costs.

The fifth part of section (b) establishes that CARB will use a formula to calculate the certification fee, lists the formula, and defines the economic variables. The formula calculates the total cost of the Program in the fiscal year prior to the fee setting year (the year in which the fee would go into effect), then apply the forecasted CA CPI to the Program's direct and indirect costs to estimate the next fiscal year's program costs. The forecasted CA CPI is calculated over a three-year period. The three-year period would ensure that the forecasted CA CPI provides a trend of inflation that can be applied to the calculated Program costs in the fiscal years following the setting of the fee. The direct Program costs are calculated by taking the actual labor rates from the fiscal year prior to the year the fee is set and applying the labor rates and equipment costs to the resources needed for the Program. The indirect Program costs are determined as a percentage of the indirect Board and statewide costs agreed to by the Department of Finance and the U.S. Environmental Protection Agency. The percentage is established by following the requirements under Title 2, Code of Federal Regulations, part 200 for determining indirect costs. It would then divide those costs by the average number of certification applications received over the two years prior to the year the fee is set, producing the estimated certification fee value that CARB would need to charge to recover the Program's costs. This section is reasonably necessary to establish a specific and transparent methodology to calculate the certification fee. It provides certainty and transparency by estimating the total annual Program cost and dividing by the average number of certification applications over the prior two fiscal years. The average number of certification application over the prior two fiscal years is used to mitigate the impacts of any extreme differences in the number of applications received that may occur year to year. This section includes definitions for each of the variables incorporated into the formula. For example, the definition for Program costs (PC_{Y-1}) includes the direct and indirect costs.

c.) The third section establishes regulatory language related to replacement certification decals. This policy would establish that the replacement cost would

be 12 percent of the certification fee at the time of the replacement request. A 12 percent replacement fee is established following the precedent set by the Board with the Statewide Portable Equipment Registration Program (PERP) Regulation.[11] PERP is a fee based program that has established the replacement fee of a placard, and staff believes that it would take a similar amount of resources to administer decal replacements for the CTVRP as it does to administer a placard replacement in PERP. The replacement decal language is reasonably necessary to recover the cost of all aspects of the program and to provide certainty about the fee for replacement decals.

d.) The fourth section establishes a new regulatory requirement for refunds. The new language requires cargo tank owners or testers who have paid a certification fee to submit justification along with any refund requests. This section is reasonably necessary to allow CARB to ensure that refunds are justified, as the consideration of refund requests and processing of refunds impacts CTVRP and Administrative Services Division (ASD) resources.

Certification Procedures – 204

Given the proposed changes described in the previous section, staff is proposing to remove the existing text in CP-204 that addresses the assessment of fees, where it is currently located. The removal of this language is reasonably necessary as the extensive language proposed to be added directly into the regulatory text would make it unnecessary to house fee language in a document incorporated by reference, and the proposed regulatory text would make the CP-204 text redundant.

V. BENEFITS ANTICIPATED FROM THE REGULATORY ACTION, INCLUDING THE BENEFITS OR GOALS PROVIDED IN THE AUTHORIZING STATUTE

The proposed amendments would allow for the periodic adjustment of the certification fee for the CTVRP, depending on economic variables and resource needs of the Program. Inclusion of a fee-calculation formula based on program costs would allow the certification program to remain revenue-neutral over time. With a formula that provides a consistent method of calculating the Program costs and subsequently calculating the necessary fee to recover those costs, CARB would provide transparency to the stakeholders. The proposed amendments would fulfill the requirement of Health and Safety Code section 41962(f) to "charge a reasonable fee for certification, not to exceed [CARB's] estimated costs," and to "transfer to the Air Pollution Control Fund the amount of those fees necessary to reimburse the state board for the costs of administering the certification program."

[11] CARB, 2018. Final Regulation Order, Proposed Amendments to the Airborne Toxic Control Measure for Diesel Particulate Matter from Portable Engines Rated at 50 Horsepower and Greater, and to the Statewide Portable Equipment Registration Program Regulations, Title 13 CCR Division 3, Chapter 9, Article 5, section 2461.1, September 24, 2018 https://www.arb.ca.gov/regact/2017/perp2017/perpfro.pdf

The proposed language would allow for transparent, predictable, and largely automated fee adjustments that would also give the Executive Officer the authority, following the formula, to make necessary fee adjustments without requiring Board action. The proposed methodology for periodic fee adjustments that do not require additional Board action would streamline future adjustments. This efficiency would benefit fee payers by minimizing the resource burden of necessary fee adjustments. Staff has estimated that this particular rulemaking and Board action will take approximately 4988 hours of staff time, costing approximately $572,752 in resources in fiscal year 2018-2019. Future rulemakings for fee adjustments without a largely automated fee update methodology are estimated to require a similar amount of hours and costs, which would ultimately need to be recovered through the certification fees. Establishing fee language to include a formula that the Executive Officer can apply to future fee updates would avoid the associated cost of a rulemaking with Board action and would conserve Program resources for operational needs. Staff anticipate that, following initial application of the fee formula to establish a revised fee, fee adjustments would be made no more than every two years, and would only be deemed necessary to change the fee by 5 percent or more.

Staff is responsible for certifying equipment and enforcing the Regulation to ensure cargo tanks meet performance standards and procedures. The proposed amendments would allow future fee adjustments that recover the cost of the necessary resources to ensure Program compliance. Staff perform various field activities to ensure compliance that include: (1) certification witnessing, (2) loading rack pressure testing, and (3) visual inspections. These types of field activities allow staff to help achieve a level playing field for all cargo tank owners by enforcing the regulation and removing any economic benefits from non-compliance. These field activities also help ensure the emissions reductions targeted by the regulation are achieved in practice.

Based on recent inspections, staff estimate the current compliance rate to be about 81 percent. CARB has also made efforts to research and understand the cause of pressure test failures. This research includes a component durability survey and field inspection activities as described in Appendix F of this document.

While not the explicit purpose, the proposed amendments would also enable recovery of the expenses of any necessary updates to the Program's Information Technology (IT) system. An IT system update could streamline administrative procedures in the Program by allowing for improved data validation for application approvals and denials, providing a payment portal to improve efficiency of the application process, and providing a public facing online certification status check system that would benefit the cargo tank industry. IT system improvements would benefit cargo tank owners by expediting certification application reviews, resulting in fewer delays in obtaining certifications. The IT system would have additional functionality that could assist cargo tank owners with administrative tasks such as invoicing for business accounting, a document upload function that could house various test results and safety information required by loading racks, and automated notification of upcoming expirations of cargo tank certifications.

A critically important benefit of the proposed amendments is the ability to transparently and consistently assess and update the certification fee, by providing an established methodology to assess the Program costs and apportion those costs to certification payers. These changes would ensure that the Program is able to recover the necessary Program costs in a timely manner, allowing for increased efficiency of the Program's resources, and ensure that the Program remains revenue neutral.

VI. AIR QUALITY

CARB requires the operation of the proper vapor recovery devices on cargo tanks while both loading and unloading gasoline. The proposed amendments are not anticipated to have direct air quality impacts due to the nature of the proposed changes. The proposed amendments are intended to preserve the emission reductions assumed under the existing regulation and would assist in maintaining the targeted emission reductions.

VII. ENVIRONMENTAL ANALYSIS

A) Introduction

This chapter provides the basis for CARB's determination that the proposed regulatory amendments are exempt from the requirements of the California Environmental Quality Act (CEQA). A brief explanation of this determination is provided in section B below. CARB's regulatory program, which involves the adoption, approval, amendment, or repeal of standards, rules, regulations, or plans for the protection and enhancement of the State's ambient air quality, has been certified by the California Secretary for Natural Resources under Public Resources Code section 21080.5 of CEQA (14 CCR 15251(d)). Public agencies with certified regulatory programs are exempt from certain CEQA requirements, including but not limited to, preparing environmental impact reports, negative declarations, and initial studies. CARB, as a lead agency, prepares a substitute environmental document (referred to as an "Environmental Analysis" or "EA") as part of the Staff Report prepared for a proposed action to comply with CEQA (17 CCR 60000-60008). If the regulation is finalized, a Notice of Exemption will be filed with the Office of the Secretary for the Natural Resources Agency and the State Clearinghouse for public inspection.

B) Analysis

CARB has determined that the proposed regulatory amendments are exempt from CEQA under the "general rule" or "common sense" exemption (14 CCR 15061(b)(3)). The common sense exemption states a project is exempt from CEQA if "the activity is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA."

The proposed regulatory amendments are not anticipated to have emission or environmental impacts, but would enable CARB to address deficiencies in fee assessment and subsequent recovery of Program costs as necessary. This is proposed to be accomplished through the addition of language that would establish the methodology to be used by CARB going forward to evaluate Program costs and revise the certification fee as necessary. The proposed regulatory amendments would also add language consistent with other CARB regulations that allow for fee adjustments by the Executive Officer, require a public meeting of the established or revised certification fee, specify how the cost of replacement decals would be calculated, and specify the information necessary to request a Program fee refund. Additionally, the proposed regulatory amendments would include removal of certification fee-related language from CP-204 that the amendments would make redundant.

All of the proposed regulatory amendments are administrative in nature, affecting only annual certification fee assessment, and are not anticipated to result in any physical changes to the environment. Therefore, based on CARB's review, it is clear that there is no possibility that the proposed regulatory amendments may result in a significant adverse impact on the environment; this activity is exempt from CEQA.

VIII. ENVIRONMENTAL JUSTICE

State law defines environmental justice as the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies. (Government Code, section 65040.12, subdivision (c)). CARB is committed to making environmental justice an integral part of its activities. The Board approved its Environmental Justice Policies and Actions (Policies) on December 13, 2001, to establish a framework for incorporating environmental justice into CARB's programs consistent with the directives of State law. These policies apply to all communities in California, but recognize that environmental justice issues have been raised more in the context of low-income and disadvantaged communities.

The proposed amendments to the Certification of Vapor Recovery Systems for Cargo Tanks are not anticipated to have an impact on emissions, and therefore are not anticipated to have environmental justice impacts. The proposed amendments would preserve the emission reductions targeted by the existing regulation in all communities, including environmental justice areas.

IX. ECONOMIC IMPACTS ASSESSMENT

The proposed amendments to the Certification of Vapor Recovery Systems on Cargo Tanks Regulation in section 94014 of title 17, California Code of Regulations, are deemed to be a minor regulation change. The anticipated economic impacts, post-adoption, are estimated to be about $1.1 million dollars per fiscal year, which is significantly below the $50 million dollar threshold for a major regulation. The anticipated impact includes the potential cost of additional staffing and resources that would be required to meet the Program's statutory requirements outlined in Health and Safety Code section 41962.

Program expenses have been assessed at approximately $433,000 in fiscal year 2018-2019, and the current certification fee recovers approximately $120,000 annually. As of December 2018, regulated entities' compliance rate is about 81 percent; additional funding would be needed to ensure higher compliance rates. As seen through past trends of fieldwork and compliance rates, CARB expects that an increase in field presence would lead to higher compliance rates. In order to preserve the emission reductions targeted by the existing regulation, CARB has estimated the Program would need funding of approximately $1,226,133 for fiscal year 2019-2020 to ensure comprehensive, efficient, and effective Program implementation. In utilizing the proposed certification fee formula, staff has determined (by dividing cost by an estimated average number of applications in fiscal years 2017-2018 and 2018-2019) that an annual certification fee of approximately $205 would recover the anticipated resource costs.

The proposed amendments would affect businesses that own cargo tanks subject to the performance standards of the Certification of Vapor Recovery Systems on Cargo Tanks Regulation. Table 1 below lists the types of businesses that would be affected by the proposed amendments.

Table 1: Detailed Industry Description

NAICS	Industry Description	Sites	Percentage
424720	Petroleum and Petroleum Products Merchant Wholesalers	85	18%
424710	Petroleum Bulk Stations and Terminals	40	9%
484110	General Freight Trucking, Local	24	5%
484121	General Freight Trucking, Long-Distance, Truckload	22	5%
447190	Other Gasoline Stations	22	5%
488999	All Other Support Activities for Transportation	19	4%
484220	Specialized Freight (except Used Goods) Trucking, Local	18	4%
484230	Specialized Freight (except Used Goods) Trucking, Long-Distance	13	3%
811111	General Automotive Repair	11	2%
561990	All Other Support Services	9	2%
811310	Commercial and Industrial Machinery and Equipment (except Automotive and Electronic)	8	2%
488510	Freight Transportation Arrangement	7	2%
488320	Marine Cargo Handling	7	2%
488119	Other Airport Operations	6	1%
336212	Truck Trailer Manufacturing	6	1%
221118	Other Electric Power Generation	6	1%
	Other	157	34%
	Total	460	100%

*NAICS codes are taken from the Dun and Bradstreet Database.[12]

CARB has attempted to identify the impacts of these proposed amendments on small businesses. CARB typically uses the statutory definition of a small business, defined as a business with 100 or fewer employees. Upon analyzing the cargo tank companies registered within the Cargo Tank Certification System Database,[13] CARB determined that 76 percent of all companies fell within this category. In the cargo tank industry, however, cargo tank fleet size is a more accurate metric of a business's economic standing than the total number of employees. Cargo tank owners typically fall within a

[12] Data from Dun & Bradstreet, Market Insight, Retrieved 9-1-18. Based on businesses for which NAICS data was available, excluding government entities.
[13] CARB, 2018. Registered Cargo Tanks and Owners Report - Cargo Tank Certification System Database. December 2018.

specialized industry that transports gasoline, so the number of cargo tanks a business has would provide a better estimate of a business' potential revenue. Given this basis, CARB defines a small business as a business that owns five or fewer cargo tanks, which comprise 56 percent of regulated California businesses based on data currently in the Cargo Tank Certification System database.

In 2018 there was a total of 6,059 cargo tanks certified to operate in California. An economic profile on the industry, utilizing company data from the Cargo Tank Certification System Database, indicates there are 159 small businesses, each with an annual average sales volume of $24.9 million dollars. On average small businesses have 2.6 cargo tanks leading to an annual increase of $481 in certification costs. This equates to .002% of the annual average sales for small businesses, which suggests that there will be no anticipated impact on the number of jobs created or eliminated as a result of the proposed amendments.

The proposed amendments would not have a direct impact on business because the amendments alone would not result in a fee increase. However, implementation of the proposed amendments would result in a fee increase, if the proposed amendments are finalized and the Executive Director applies the formula to recover the program costs. Staff expects that the fee increase per cargo tank could be in the range of about $60 to $185 per cargo tank. An analysis of certification fees in jurisdictions outside of California indicates that the highest estimated fee is comparable to certification fees charged in other states.[14] This suggests that the proposed amendments would not hinder the ability for California business to compete with out-of-state businesses. The highest estimated fee would result in an industry-wide cost increase of $1.1 million dollars per year (6,000 tanks x $185 = $1.1 million dollars). CARB does not believe that the estimated industry-wide cost increase would have an impact on the creation, destruction, or expansion of businesses because this represents about .005% of the total $22.5 billion dollar sales volume in the industry of cargo tanks that operate in California.
The purpose of these proposed amendments is to establish a methodology to calculate the Program costs and subsequently adjust the certification fee to recover the costs. In order to make these adjustments, the proposed amendments include the following fee calculation formula[15]:

$$\textit{Cargo Tank Cost per Certification} = \frac{PC_{Y-1} * \ CPI}{[(CTA_{Y-1} + CTA_{Y-2})/2]}$$

Where,

Y = Fiscal year of the fee adjustment (current fiscal year)

***PC_{Y-1}*= Program Costs:** the direct and indirect costs of the program as assessed by CARB (including the costs for personnel services, contracts, equipment, general

[14] Maricopa County Air Quality Department. 2018 Air Quality Fee Schedule, January 1, 2018.

[15] Kane, N., Memo to the File. Determination of Cargo Tank Certification Fee Calculation Formula, July 19, 2018.

administration, program administration, and operating costs) for the fiscal year prior to the year the fee is set (Y-1), because this is the most recent full year of data available.

***CTA_{Y-1} and CTA_{Y-2}* = Cargo Tank Applications:** The average number of Cargo Tank Applications for the prior two fiscal years, which are used to estimate the average number of recent applications.

***CPI* = Consumer Price Index**: The forecasted change in the annual California Consumer Price Index for All Urban Consumers (CPI-U All Items) relative to the year for which program costs are calculated (Y-1). CPI is a standard index published annually by the California Department of Finance. As a metric, it identifies periods of inflation or deflation. CPI in the formula above is calculated as:

$$CPI = \frac{CPI_{Y+2}}{CPI_{Y-1}}$$

CARB intends to calculate the program costs (PC_{Y-1}) using the formula below:

$$PC_{Y-1} = PS + CE + (PS * IDCF)$$

Where,

PS = Personnel Services – Salaries, wages, and benefits as outlined in the annual California Budget Act.

CE = Contracts & Equipment - Contracts and equipment needed to support the program.

IDCF = Indirect Cost Fraction – Multiplied by personnel services (PS) rates to estimate indirect costs including general CARB administration (0.05), program administration (0.20), and operating costs (0.15).

This formula incorporates the direct and indirect costs of the Cargo Tank Program of the fiscal year prior to the fee setting year, along with the CA CPI, into a figure that is divided by the average number of certification applications processed over the prior two fiscal years. The formula generates a cost-per-certification for the program, which would be used to assess the fee that tank owners must pay to recover the cost of the Program.

Incorporating this formula into the Regulation would allow for the certification fee to be adjusted as the resources needed to implement the Program change. Current projections for the resource needs of the Program include recovering the cost of an updated IT system, and staffing to perform adequate fieldwork and enforcement. As costs such as the initial development of an IT system are recovered, resource needs may shift to accommodate less costly maintenance and operation, which would be reflected in future fee adjustments. Changes to the Program costs may also occur as the CA CPI changes each year, or staff wages and salaries are adjusted. The ability to recover the cost of these resources would result in a benefit to the health and welfare of California residents and environment, as CARB would be in a better position to ensure

that the emission reductions intended by the existing regulation are maintained. No changes in worker safety are expected as a result of this rulemaking.

Based on these factors and the projected number of certifications processed each year, the high-end estimate of the certification fee, as adjusted following finalization of the amendments, is approximately $205. The dollar cost that cargo tank owners may incur to comply with this regulation is calculated by subtracting the current certification fee from the highest estimated fee. Given that the highest currently estimated fee is $205, and the current fee is $20, the initial incremental cost to comply with this regulation for each Cargo Tank certified is estimated to be up to $185. The total statewide dollar cost that businesses (not to include government owned cargo tanks) may incur to comply with this regulation over a five-year lifespan is estimated to be $5,085,795, as shown in Table 2. The assumption was made that the fee will be adjusted once within a five-year period, as shown in 2023 when the estimated incremental cost increases from $185 to $200.

Table 2: Annual Program Cost over Five Year Lifespan

Fiscal Year	Incremental Fee Relative to Baseline	Estimated Number of Certifications	Annual Cost of the Proposed Amendments
2019/2020	$185	3175	$587,375
2020/2021	$185	5807	$1,074,295
2021/2022	$185	5845	$1,081,325
2022/2023	$200	5870	$1,174,000
2023/2024	$200	5844	$1,168,800
Total Cost over Five Fiscal Years			$5,085,795

X. EVALUATION OF REGULATORY ALTERNATIVES

California Government Code section 11346.2 requires CARB to consider and evaluate reasonable alternatives to the proposed regulatory action and provide reasons for rejecting those alternatives. This section discusses alternatives and provides reasons why CARB rejects these alternatives. Staff did not find any of the alternatives considered to be more effective in carrying out the purpose for which the proposed regulatory action is proposed or to be as effective as the proposal and less burdensome to affected businesses than the proposal.

Staff considered the following alternatives: (1) establish a fixed fee to recover the cost of resources needed to ensure compliance with all applicable requirements; and (2) establish a stepwise increase of the certification fee that would eventually recover CTVRP costs going forward, relying on internal policies and procedures to determine costs. The second alternative would establish the fee increase in several sequential steps, each requiring a regulatory amendment.

Because the fee would be static under both alternative proposals, neither alternative would include a fee calculation formula in the certification requirements. Also, neither alternative would include Executive Officer authority to adjust the certification fee. The

lack of a formula would make it necessary for the Board to take action any time the fee would need to be adjusted. Table 3 provides an estimate of cost for the present rulemaking process. Future rulemakings are anticipated to be approximately as costly and would be undertaken each time a fee adjustment would be necessary. The estimated costs of rulemaking may increase due to inflation and fluctuating labor costs, potentially increasing the certification fee for stakeholders. The estimated costs of going through the present rulemaking is based on hours spent on this rulemaking with projected hours until the final filing multiplied by the fully burdened hourly rates for fiscal year 2018-2019.

Table 3: Time and Cost for This Rulemaking

Staff Position	Expected Staff Time for Rulemaking (hours)	FY 18-19 Fully Burdened Rate	Staff Cost for Rulemaking
Air Pollution Specialist	3,459	$ 106.98	$370,043.82
Air Resources Supervisor I	555	$ 130.81	$72,599.55
Air Resources Supervisor II	697	$ 142.57	$99,371.29
Attorney III	37	$ 136.84	$5,063.08
Economist (Air Pollution Specialist)	240	$ 106.98	$25,675.20
Total	4,988		$572,752.94

Government Code section 11346.2, subdivision (b)(4) requires CARB to consider and evaluate reasonable alternatives to the proposed regulatory action and provide reasons for rejecting those alternatives. This section discusses alternatives evaluated and provides reasons why these alternatives were not included in the proposal. As explained below, no alternative proposed was found to be less burdensome and equally effective in achieving the purposes of the regulation in a manner that ensures full compliance with the authorizing law. Staff has not identified any reasonable alternatives that would lessen any adverse impact on small business.

Alternative 1: Fixed Fee Alternative

The first alternative would establish a fixed fee in the regulatory language to recover the cost of resources required to implement the Program and meet the statutory requirements mandated by the Health and Safety Code.

The benefits of this Alternative include the ability to recover the Program costs in fiscal year 2019-2020 and provisions of the necessary resources to improve Program compliance and efficiency. Although there are benefits associated with this proposed alternative, there are also drawbacks, which provides CARB's basis for rejecting this alternative. A major drawback of this proposal is that inserting a static fee into the regulation would necessitate Board action every time an adjustment is needed to recover Program costs. This would be a resource-intensive and costly alternative. As time progresses, the CA CPI, increased resource needs, and/or fluctuating operational

costs may lead to changing Program costs. The need to recover the costs of a resource-intensive process would increase the overall certification fee.

Alternative 2: Stepwise Alternative

The second alternative would be establishing a stepwise increase of a fixed fee, which would allow the Program's cost to be recovered in phases. The fee could incrementally be increased over a two-step process. The first adjustment of the fee would recover the current resource costs of $474,877 in fiscal year 2019-2020, which would equate to an $80 certification fee. The second fee adjustment would recover the additional proposed resource level, which was estimated at $1,226,133 for fiscal year 2019-2020. This approach might appear more economically viable for the small businesses that would have more challenges in absorbing the initial adjustments versus larger businesses, but would require additional resources to go through the rulemaking process a second time. Thus, the cargo tank owners may have a somewhat reduced fee for a few years until the second rulemaking is completed. When the second rulemaking occurs in future fiscal years, the Program may have an even higher estimated cost, resulting in higher certification fees. Although this alternative might be appealing to cargo tank owners there are critical reasons leading staff to reject this alternative. These include the issue of underfunding leading to a lack of resources during the first adjustment, potential inconsistency in the assessment of future fee adjustments, and high administrative costs.

With this alternative, the additional resources and staffing would be limited in the first year. The second adjustment would then recover the cost of the remaining resources needed to fully implement the program. This alternative lacks certainty for cargo tank owners and could lead to uncertainty regarding the Program's field staff, information technology needs, internal processes, and most importantly the certification fee that would be collected. All of the aforementioned challenges would also likely lead to delays in the issuing of CTVRP certifications.

This alternative would not establish a consistent regulatory mandate on how to assess Program costs as necessary with a consistent and transparent methodology. This means that the Program costs could be determined differently in future years. Any inconsistencies in the assessment of Program cost could lead to uncertainty for cargo tank owners, requiring resources to clarify and support the future assessments, which would result in diverting resources intended to process certification applications. In addition, it would be more administratively intensive and costly to have a stepwise adjustment to the fee due to the resources required to adequately notify fee payers of the changes. This alternative is costly to fee payers as well, as they would have a change in business accounting for the fluctuating fee. Fee payers would need to allocate resources to account for the changes to prevent delays in obtaining a certification. If CARB allocated the additional resources needed to perform these administrative tasks, there would be less resources available to perform field activities. Fewer compliance checks could potentially lead to lower compliance rates, compromising the anticipated emission reductions of the existing regulation.

XI. JUSTIFICATION FOR ADOPTION OF REGULATIONS DIFFERENT FROM FEDERAL REGULATIONS CONTAINED IN THE CODE OF FEDERAL REGULATIONS

Cargo tanks are required to adhere to federal standards, outlined in the Code of Federal Regulations – Title 40, Chapter I, Subchapter C, Part 63, Subpart R, section 63.425(e).[16] This regulation describes the certification test procedure "U.S. EPA Method 27," which is considered a valid alternative to the test procedures outlined in the CCR, TP-204.2. However, due to the severe and unique air pollution problems facing California, and in order to benefit human health, public safety, public welfare, and the environment as described in Government Code section 11346.2(b)(6)(B)), CARB's gasoline vapor control standards are more stringent than comparable federal standards. This is demonstrated in Table 5, which details allowable pressure change during a comparable five-minute test. In this test, cargo tanks are pressurized to a standard pressure and monitored for five minutes to observe the change in pressure within the tank. This change in pressure is measured in inches of water column, and a higher change indicates a higher leak rate of the tank. In each of the tank size categories, the allowable change in the CARB standards is half that of the U.S. EPA standards, indicating the CARB standards are more stringent.

Table 5: U.S. EPA Standards and CARB Standards for Five-Minute Pressure Test

Cargo tank or compartment capacity, liters (gal)	U.S. EPA Method 27: Annual certification-allowable pressure change in 5 minutes (inches water column)	CARB Standards: Annual certification-allowable pressure change in 5 minutes (inches water column)
9,464 or more (2,500 or more)	1.0	0.5
9,463 to 5,678 (2,499 to 1,500)	1.5	0.75
5,679 to 3,785 (1,499 to 1,000)	2.0	1.00
3,782 or less (999 or less)	2.5	1.25

Additionally, in California, the Certification of Vapor Recovery Systems on Cargo Tanks Regulation was developed to ensure all Cargo Tanks operating within California adhere to the emissions standards outlined within the regulation. This Program involves administering the certifications for cargo tanks, periodically witnessing the testing procedures required to carry out and obtain a certification, and any fieldwork necessary to uphold and enforce these certification standards. Each of these activities requires resources to implement, and this amendment would allow the Program to fully recover the cost of those resources.

[16] Title 40 CFR Part 63, Subpart R, July 1, 2010. https://www.govinfo.gov/app/details/CFR-2010-title40-vol9/CFR-2010-title40-vol9-part63-subpartR

XII. PUBLIC PROCESS FOR DEVELOPMENT OF THE PROPOSED ACTION

Consistent with Government Code sections 11346, subdivision (b), and 11346.45, subdivision (a), and with the Board's long-standing practice, CARB staff held public workshops and had other meetings with interested persons during the development of the proposed regulation. In these public meetings, staff presented general information regarding other certification programs in other jurisdictions,[17,18,19] test procedures,[20] and past emission factor and compliance data.[21] These informal discussions provided staff with useful information that was considered during development of the regulation that is now being proposed for formal public comment.

1) Public Workshops

Beginning in October 2018, CARB staff began the public process by holding four public workshops spanning from October 2018 to January 2019 for stakeholders to address their concerns with the proposed amendments. Interested stakeholders participated in the workshops in person or via webcast and had the ability to ask questions and voice concerns at the end of each presentation. The workshop presentations and associated materials were available on the CTVRP Rulemaking website on the date of the scheduled workshop meeting. Workshop public notices were distributed to more than 3,200 Cargo Tank Vapor Recovery email listserv recipients via GovDelivery. The public notices were also mailed out to those registered with the Cargo Tank Certification System to ensure that all of the stakeholders who may be impacted were made aware of the rulemaking. Copies of the public notices are included in Appendix D of this document.

The dates and locations of the workshops are listed in Table 4.

Table 4: Public Workshops

DATE	LOCATION
October 31, 2018	Fresno, CA
November 6, 2018	Sacramento, CA
November 15, 2018	Diamond Bar, CA
January 17, 2019	Sacramento, CA

*All public workshops included discussion of the proposed amendments to cargo tank certification requirements.

[17] Maricopa County Air Quality Department. 2018 Air Quality Fee Schedule, January 1, 2018.
[18] Williamsburg MA Fire Department. "Fees/Permits", accessed on August 10, 2018. https://williamsburgfire.com/fees-and-permits.
[19] Oregon Administrative Rules (OAR) Chapter 340, Division 232, Rule 0100(4)(c), (340-232-0100 (4)(c)). Department of Environmental Quality, April 16, 2015. https://secure.sos.state.or.us/oard/viewSingleRule.action?ruleVrsnRsn=74292.
[20] Clarke, C., Review of Gasoline Cargo Tank Truck Pressure Performance Test Procedures. Monitoring and Laboratory Division Vapor Recovery In-Use Program Section, March 19, 2008.
[21] CARB, 2013. Revised Emission Factors for Gasoline Marketing Operations at California Gasoline Dispensing Facilities. CARB Monitoring and Laboratory Division, December 23, 2013. https://www.arb.ca.gov/vapor/gdf-emisfactor/gdf%20umbrella%20document%20-%2020%20nov%202013.pdf.

2) Workgroups

In addition to workshops, staff met with many groups from industry to discuss and solicit input on the proposed amendments. The workgroup was comprised of a small group of stakeholders consisting of members associated with the California Fuels & Convenience Alliance (CFCA) and formerly known as the California Independent Oil Marketers Association (CIOMA). In addition to CFCA, staff notified affected government entities that were registered with the Cargo Tank Certification System as well as California Air Pollution Control Office Association (CAPCOA). From September 2018 to January 2019, four workgroup meetings were held in addition to the workshops at the CARB Depot Park location in Sacramento, California. Staff presented on the proposed amendments as well as on the study conducted by CARB staff to assess the need for the proposed changes. The workgroup meetings were held on the following dates:

Table 5: Workgroup Meetings

DATE	Stakeholders in Attendance
September 18, 2018	3
October 17, 2018	4
November 28, 2018	3
January 8, 2019	1

Every effort was made to consider the comments and concerns received both from workgroup and workshop presentations. Due to the feedback provided during the public process, CARB staff developed the proposed amendments described in this ISOR to consider and address the needs and concerns of the stakeholders.

3) Web Site

In an effort to inform the public of the rulemaking process and reach a wider audience, staff also established the CTVRP Rulemaking web site (https://ww2.arb.ca.gov/our-workprogramscargo-tank-vapor-recovery/cargo-tank-vapor-recovery-rulemaking-workshop). The information page is easily accessible and contains the proposed regulation amendments and the public process. Additionally, the public notices and workshop presentations given during the rulemaking process are located on this page. Staff also created an email address (cargotankrulemaking@arb.ca.gov) to assist the public with submitting their comments during the workshops and throughout the rulemaking process.

XIII. REFERENCES

1. CARB, 1995. Initial Statement of Reasons for a Proposed Statewide Regulation to Amend Certification and Test Procedures for Vapor Recovery Systems, May 12, 1995. https://www.arb.ca.gov/regact/gvrs95/gvrsisor.pdf.

2. CARB, 1998. Staff Report: Initial Statement of Reasons for Proposed Rulemaking – Public Hearing to Consider the Amendment and Adoption of Certification and Test Procedures for Vapor Recovery Systems, April 3, 1998. https://www.arb.ca.gov/regact/vapor/isor.pdf.

3. CARB, 2013. Staff Report: Initial Statement of Reasons for Rulemaking. Amendments to Certification and Test Procedures for Vapor Recovery Systems at Gasoline Dispensing Facilities (GDFs) and Cargo Tanks, June 5, 2013. https://www.arb.ca.gov/regact/2013/cargo2013/cargo13isor.pdf.

4. Title 40 CFR Part 63, Subpart R, July 1, 2010. https://www.govinfo.gov/app/details/CFR-2010-title40-vol9/CFR-2010-title40-vol9-part63-subpartR.

5. Title 2 CFR Subtitle A, Chapter II, Part 200, January 1, 2014. https://www.govinfo.gov/bulkdata/CFR/2018/title-2/CFR-2018-title2-vol1.xml

6. State of California Department of Finance, Economic Research Unit. Economic Forecasts, U.S. and California, Consumer Price Index Forecast – Annual & Monthly, November 2018. http://www.dof.ca.gov/Forecasting/Economics/Eco_Forecasts_Us_Ca/index.html.

7. CARB, 2018. Final Regulation Order, Proposed Amendments to the Airborne Toxic Control Measure for Diesel Particulate Matter from Portable Engines Rated at 50 Horsepower and Greater, and to the Statewide Portable Equipment Registration Program Regulations, Title 13 CCR Division 3, Chapter 9, Article 5, section 2461.1, September 24, 2018 https://www.arb.ca.gov/regact/2017/perp2017/perpfro.pdf

8. CARB, 2018. Registered Cargo Tanks and Owners Report - Cargo Tank Certification System Database, December 2018.

9. Kane, N., Memo to the File. Determination of Cargo Tank Certification Fee Calculation Formula, July 19, 2018.

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12. Oregon Administrative Rules (OAR) Chapter 340, Division 232, Rule 0100(4)(c), (340-232-0100 (4)(c)). Department of Environmental Quality, April 16, 2015. https://secure.sos.state.or.us/oard/viewSingleRule.action?ruleVrsnRsn=74292

13. Clarke, C., Review of Gasoline Cargo Tank Truck Pressure Performance Test Procedures. Monitoring and Laboratory Division Vapor Recovery In-Use Program Section, March 19, 2008.

14. CARB, 2013. Revised Emission Factors for Gasoline Marketing Operations at California Gasoline Dispensing Facilities. CARB Monitoring and Laboratory Division, December 23, 2013. https://www.arb.ca.gov/vapor/gdf-emisfactor/gdf%20umbrella%20document%20-%2020%20nov%202013.pdf

XIV. APPENDICES

Appendix A – Proposed Regulation Order: Amendments to the Regulation for the Certification of Vapor Recovery Systems for Cargo Tanks
Appendix B – Proposed Amendments to CP-204
Appendix C – Health and Safety Code Section 41962
Appendix D – Public Process for the Development of the Proposed Amendments (Public Workshops)
Appendix E – Cargo Tank Vapor Recovery Program Costs Assessment and Fee Analysis
Appendix F – Results of Fieldwork and Survey Conducted During the Rulemaking Process from October to December of 2018